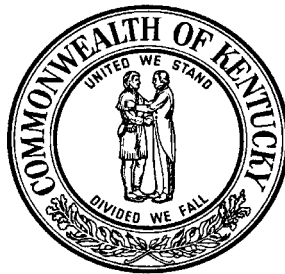


**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

July 6, 2004



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Kenneth Rigdon, Bullitt County Judge/Executive

Honorable Paul Parsley, Bullitt County Sheriff

Members of the Bullitt County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the Bullitt County Sheriff's Settlement - 2003 Taxes as of July 6, 2004.

We engaged Ross & Company, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Bullitt County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

July 6, 2004

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BULLITT COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES

July 6, 2004

Ross & Company, PLLC has completed the audit of the Sheriff's Settlement - 2003 Taxes for Bullitt County Sheriff as of July 6, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$28,791,961 for the districts for 2003 taxes, retaining commissions of \$808,663 to operate the Sheriff's office. The Sheriff distributed taxes of \$27,951,681 to the districts for 2003 Taxes. Taxes of \$656 are due to the districts from the Sheriff.

Report Comment:

- The County Sheriff Should Require The Depository Institution To Pledge Or Provide Additional Collateral To Protect Deposits

Deposits:

On November 11, 2003, \$5,178,283 of the Bullitt County Sheriff's deposits of public funds were uninsured and unsecured by bank securities or bonds.

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To the People of Kentucky
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Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We have audited the Bullitt County Sheriff's Settlement - 2003 Taxes as of July 6, 2004. This tax settlement is the responsibility of the Bullitt County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Bullitt County Sheriff's taxes charged, credited, and paid as of July 6, 2004, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2004, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Honorable Paul Parsley, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Sheriff Should Require The Depository Institution To Pledge Or Provide Additional Collateral To Protect Deposits

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
November 9, 2004

BULLITT COUNTY
PAUL PARSLEY, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES

July 6, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 2,717,898	\$ 4,052,509	\$ 15,255,298	\$ 3,886,886
Tangible Personal Property	164,210	177,343	673,997	494,819
Intangible Personal Property				150,465
Fire Protection	531			
Increases Through Exonerations	328	2,392	1,688	386
Franchise Corporation	153,729	201,740	652,001	
Distilled Spirits Taxes	189,029	128,414	693,107	
Additional Billings	935	1,363	4,741	1,735
Limestone, Sand, and Mineral Reserves	1,031	1,766	5,788	1,475
Bank Franchises	102,785			
Penalties	14,203	20,526	78,917	21,260
Adjusted to Sheriff's Receipt	(1)		(2)	(7)
Gross Chargeable to Sheriff	<u>\$ 3,344,678</u>	<u>\$ 4,586,053</u>	<u>\$ 17,365,535</u>	<u>\$ 4,557,019</u>
<u>Credits</u>				
Exonerations	\$ 6,020	\$ 8,960	\$ 33,783	\$ 8,630
Discounts	51,229	69,152	264,363	71,853
Delinquents:				
Real Estate	51,164	76,325	286,883	73,163
Tangible Personal Property	4,017	5,694	16,489	17,140
Intangible Personal Property				10,433
Uncollected Franchise	923	1,329	3,774	
Total Credits	<u>\$ 113,353</u>	<u>\$ 161,460</u>	<u>\$ 605,292</u>	<u>\$ 181,219</u>
Taxes Collected	\$ 3,231,325	\$ 4,424,593	\$ 16,760,243	\$ 4,375,800
Less: Commissions *	137,619	116,060	368,725	186,259
Taxes Due	\$ 3,093,706	\$ 4,308,533	\$ 16,391,518	\$ 4,189,541
Taxes Paid	3,090,266	4,302,827	16,373,940	4,184,648
Refunds (Current and Prior Year)	3,440	5,050	17,578	4,893
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 656</u>	<u>\$ 0</u>	<u>\$ 0</u>

* and ** See Next Page

The accompanying notes are an integral part of this financial statement.

BULLITT COUNTY
PAUL PARSLEY, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES
July 6, 2004
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	9,806,793
2.2% on	\$	16,760,243
1% on	\$	2,214,925

** Special Taxing Districts:

Extension District	\$	656
Due Districts	\$	656

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT

July 6, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 11, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$5,178,283 of public funds uninsured and unsecured.

BULLITT COUNTY
 NOTES TO FINANCIAL STATEMENT
 July 6, 2004
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 11, 2003.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	17,000,000
Uncollateralized and uninsured	<u>5,178,283</u>
Total	<u>\$ 22,278,283</u>

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 22, 2003 through April 30, 2004.

Note 4. Interest Income

The Bullitt County Sheriff earned \$48,623 as interest income on 2003 taxes. As of November 9, 2004, the Sheriff was due \$311 from interest to the school district.

Note 5. Sheriff's 10% Add-On Fee

The Bullitt County Sheriff collected \$118,423 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Bullitt County Sheriff collected \$1,675 of advertising costs and \$6,950 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
July 6, 2004
(Continued)

Note 7. Tax Escrow Accounts

A. 2002 Tax Account

The 2002 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The account was opened in October 2003 with a deposit of \$11,178. Additional deposits were \$63. Disbursements for the period were \$771. The ending balance as of December 31, 2003 was \$10,470.

B. 2000 Tax Account

The 2000 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2003 was \$4,327. Deposits for the period were \$90. Disbursements were \$162. The ending balance as of December 31, 2003 was \$4,255.

C. 1999 Tax Account

The 1999 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2003 was \$3,554. Deposits for the periods were \$74. Disbursements were \$127. The ending balance as of December 31, 2003 was \$3,501.

D. 1998 Tax Account

The 1998 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2003 was \$5,203. Deposits for the period were \$109. Disbursements were \$186. The ending balance as of December 31, 2003 was \$5,126.

E. 1997 Tax Account

The 1997 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2003 was \$3,439. Deposits for the period were \$72. Disbursements for the period were \$123. The ending balance as of December 31, 2003 was \$3,388.

According to KRS 393.090, effective through June 23, 2003, property is presumed abandoned after seven years, after which time it is to be turned over to the Kentucky State Treasurer. After KRS 393.090 was amended, effective June 24, 2003, property is presumed abandoned after three years, after which time it is to be turned over to the Kentucky State Treasurer, in accordance with KRS 393.110.

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COMMENT AND RECOMMENDATION

BULLITT COUNTY
PAUL PARSLEY, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

As of July 6, 2004

STATE LAWS AND REGULATIONS:

The County Sheriff Should Require The Depository Institution To Pledge Or Provide Additional Collateral To Protect Deposits

On November 11, 2003, \$5,178,283 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

Will try to keep pledges up to par in the future.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

The Honorable Kenneth Rigdon, Bullitt County Judge/Executive
Honorable Paul Parsley, Bullitt County Sheriff
Members of the Bullitt County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Bullitt County Sheriff's Settlement - 2003 Taxes as of July 6, 2004, and have issued our report thereon dated November 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bullitt County Sheriff's Settlement - 2003 Taxes as of July 6, 2004 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Sheriff Should Require The Depository Institution To Pledge Or Provide Additional Collateral To Protect Deposits

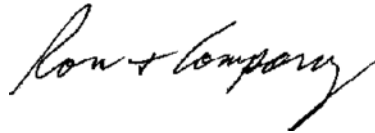
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bullitt County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -
November 9, 2004

